CHALLENGE

O ECONOMISTS

J. S. HECHT.

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A CHALLENGE TO ECONOMISTS

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By
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A CHALLENGE TO ECONOMISTS

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In a fight for Right, as in a question of Principle, there are no Neutrals. Compromise, Compromise, that invention of the Victorian Era,

> Oh dreadful Age,
> Whence comes our present tragedy,
> And thousands suffer agony
> That right may hold the stage,

hangs like a dark cloud over our present Civilization.

Through many ages Man has been profoundly interested in the question of Wealth, its Production, Exchange, and Distribution, but rarely has the subject been approached with an open mind. The average man has been led to believe that

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the science of economics is too deep for him, and certainly many economic theories are difficult to grasp. Nevertheless the truth is ever simple.

1. The wealth of the world can be increased by man's labour, but as no man can be considered to possess wealth until he has first his bare necessaries of life, the necessaries of all mankind must first be produced, for, economics being an ethical science, man cannot be allowed to starve.

2. Articles of utility are economically identical with necessaries, as they also enable man to live and produce, and, in saving labour, they save, and thus increase, the supply of necessaries.

3. The production and handling of necessaries occupies a large proportion of the world's labour, and, although a lack of them causes all the misery and most of the discontent in this world, their importance appears to be overlooked by economists.

4. The value of necessaries of life lies in their utility to man, i.e. they enable

him to live and produce. This value is independent of his opinion and inherent in each article and is thus an intrinsic value, for that of food lies in its nutriment, of clothes in their warmth, etc. If x denote the intrinsic value of a man's necessaries of life in a given climate for one day, x is the measure of the value of all necessaries and articles of utility, or in other words, of all intrinsic values.

5. The supersession of such articles does not affect their intrinsic value, and their waste must be made good before there can be any increase in wealth.

6. The exchange of necessaries does not enrich the world, in fact the cost of trading in them or making them available is actually the destruction of some of them to provide the necessaries of life for all the workers engaged in this trading.

7. An exchange of necessaries or utilities should take place on the basis of intrinsic value, otherwise one party benefits at the expense of the other. If, for in-

stance, two men produce necessaries of life, the one potatoes and the other artichokes, and they wish to exchange, assuming that for the same nutriment and weight the same hours of labour are necessary, will not the exchange value be pound for pound? If not, and 2 lbs. of potatoes were exchanged for 1 lb. of artichokes, the grower of the potatoes will have to work more hours to make up his necessaries. This exchange thus takes place on utility and equal hours of work unless one producer is to benefit at the expense of another.

8. Let us assume now, however, that artichokes have double the nutriment of potatoes, and that the labour per lb. is equal. Then the artichoke grower need only work half the hours of the potato grower, and if he exchange pound for pound, he will receive only half the nutriment and would have to grow some more artichokes or starve. The potato grower, on the other hand, would be able to rest, as he now has a surplus of nutriment.

To be equitable the exchange should again take place on utility, i.e., ½ lb. of artichokes for 1 lb. of potatoes, or half a day's labour for a whole day's labour. If instead of artichokes the man produced a more nourishing potato, the same would hold good, and also if he produced his potatoes in half the time. It is evident that the artichoke grower is better off because he *produces* a higher intrinsic value per hour!

9. There are thus two values: Intrinsic value and Exchange value, and the difference between them is the Demand value, which, when positive, benefits the seller at the expense of the buyer. Thus exchange value, or price equals intrinsic value plus demand value, or demand value equals exchange value minus intrinsic value.

10. After man's necessaries and utilities are available, he produces luxuries, the whole exchange value of which can be increased or destroyed by man's own

opinion or by DEMAND. In the case of a pure luxury the exchange value equals the demand value.

11. Although most luxury articles have some intrinsic value, in an exchange of such as have none whatever there is only exchange value to be considered, and it is impossible to say who has benefited except he whose cost of production is least, as both parties may have obtained what they desire, although the articles may be worthless next day.

12. Nevertheless x is the measure of everything—necessaries and luxuries, of intrinsic value or exchange value—for in an exchange of necessaries for luxuries, the question to be answered is, how much of his necessaries will a man sacrifice in order to obtain a luxury.

13. For instance, when a potato grower buys a French hat for his wife, he sacrifices much labour for little labour and much intrinsic value for little intrinsic value and loses wealth on the exchange, but is

nevertheless satisfied, notwithstanding the designer of the hat benefits.

14. The production of all luxury articles depends upon that of necessaries. The world *lives* on necessaries, it *enjoys* luxuries. The value of luxuries to mankind being only relatively measurable is essentially different from that of necessaries or utilities. Those who lack necessaries cry for them, and those who have necessaries cry for luxuries, and these latter are the more articulate.

15. Wealth being measured by value, there must also be two kinds, one dependent on, and the other independent of man's opinion. The former comprises luxuries which minister to our pleasure and provide beauty, and can well be called "Joy wealth," as against Utility wealth. (We say "utility" and not "use" because the latter word is misleading, for we *use* luxuries.) Intrinsic value is the measure of utility wealth, and demand value that of joy wealth.

16. Thus value is not measured by labour at all, but in the case of intrinsic value by utility and in that of demand value by man's opinion. Hence the less labour used the better, and the only relation between it and value is found in the fact that continuous production is impossible unless the value produced by labour is greater than that consumed by it.

17. The definition due to Economists that "Value is governed by the Relation of demand to aggregate costs of production" is as puzzling to the ordinary mind as it is false, for assuming either factor alternately constant, in the one case an infinite demand and in the other an infinitely small cost (or is it just the reverse ?) can create an infinite value for a worthless article; yet economics is termed a science.

18. The world is not richer economically for a masterpiece, in fact it is poorer by the artist's necessaries of life, yet who will not sacrifice any surplus of utility wealth for joy wealth in some form or

other? A change of fashion will affect the value of a picture and make it *nil*, but here there is no waste to be made good before the world's wealth is again increased. Whether the artist paints a masterpiece or a daub is of no economic importance, and there is more economic loss in the destruction of 10 tons of potatoes than there would be in that of the Venus of Milo, although one is replaceable and not the other.

19. And although those who confuse two utterly distinct values raise their eyebrows, or philosophers shake their heads, it is the production of potatoes which makes possible a Rembrandt a Turner or a Titian; and a painter who starves in his garret to create an everlasting joy for humanity is a truer Economist than any of our sham Socialists. He scorns the law of supply and demand, and dies in poverty because the world is blind to the beauty of his creations.

20. The economic wealth of the world

is thus measured solely by the total intrinsic value contained therein, as pleasure and beauty have no economic measure.

21. The *Recognition* of wealth does not affect its existence and to waste the gifts of nature merely leaves wealth potential instead of actual.

22. For instance, the world is nowadays richer merely by the food value of bananas, less the necessaries consumed by those concerned in the growing and handling of this fruit, whereas twenty-five years ago the bananas represented potential wealth.

23. Again, the world is actually poorer for using up its coal, which man cannot reproduce, and would be better off could water be substituted as a motive power.

24. If the statement of the Economists be correct that all value is due to recognition or demand, at what moment does it appear, and if, on the instant, it cannot after all be due to Labour! For example, in buying food, at what moment is the value realized, before or after it is cooked;

before or after it is eaten ? Wealth being measured by value, if this be due solely to demand, a lunatic crying for a toy creates wealth, whereas he is merely prepared to sacrifice much accumulated wealth in return for little ; or again, the destruction of one article out of two might make the remaining one more than twice as valuable and add to the wealth of the world, whereas there is an economic loss in any intrinsic value destroyed.

25. The real value of food to a man does not depend upon what he is prepared to exchange for it and, should he be starving, so that one potato will save his life, he may be ready to sacrifice all his possessions to obtain it, but has then exchanged much for little labour. The potato will only keep him alive for the few hours equivalent to its real value, when he will be starving again, so that he has to be saved once more, unless he be able to feed himself. Further, the man's life may be of no economic value whatever to the

nation or the world, for instance, if he were ninety years old. Again, if one potato be worth £1000 because it saves a starving man, the first mouthful must be equally valuable and also an infinitely small atom passing his lips, so that this would have a finite value, which, as every mathematician knows, is impossible. Yet on such fallacies is founded the jargon of Economists. No wonder economics has not been a popular Science and its true Laws have remained unrecognized by politicians.

26. Nevertheless the Value-Demand theory is perfectly correct as regards all articles of pure luxury or fashion, although utterly false as regards necessaries of life. While an article in a fashion paper can destroy millions of demand value in hats and dress, nothing can affect the intrinsic value of food, clothes, or utilities so long as they exist. That a man is not hungry does not affect the intrinsic value of nourishing food, as either he or the rest of mankind will be hungry again,

so that food must be produced, but there is no *necessity* to produce new clothes just because fashion so demands until the old ones are worn out.

27. Most articles of luxury have also some utility value, but the two distinct values must be recognized. For instance, in most climates clothing is necessary and a woman's dress has an inherent value, as well as that due to fashion.

28. The production for export of articles of high exchange value solely, that is luxuries, also benefits a nation, but who can measure the world's gain through the production of a Rolls Royce? Its high cost of production represents the destruction of much labour or intrinsic value, while the profit made through a high exchange value merely enriches the producer and his workmen, and represents a transfer of wealth. The buyer sacrifices the accumulated labour of himself and others—for that is the meaning of money—to satisfy his pleasure. The world is richer

only by joy wealth, which, when fashion changes, disappears entirely. A Ford car has as much intrinsic value as a Rolls Royce. A diamond has a small intrinsic value or utility: its enormous exchange value enriches one nation or man merely at the expense of another, and the world gains beauty against the loss of labour in producing it. Beauty cannot be measured economically, and that is true also of all luxuries, whose ubiquity and high exchange value has deluded professional Economists and led them to ignore Necessaries and Intrinsic Value.

29. Oh! Happy Planet wherein we can all get wealthy by exchanging what we do not want for what we do want, and both parties benefit at the same time, so that everybody is happy and all is for the best in the best of all possible worlds. But is one party really better off by an exchange of goods, or does he merely think he is? Of course, if a man has need of something and cannot produce it himself, he must

exchange in order to get it, but has he necessarily benefited when he has got it?

30. Suppose, for instance, he makes a bad bargain like Esau. Jacob benefited because the intrinsic values exchanged were unequal, yet at the moment both parties were satisfied, so that if they can both benefit simultaneously by an exchange or trade, this must be due to the fact that every man is a judge of his own wealth, and to say you are happy is to be happy.

> "Thrice happy they, the wise contented poor,
> From loss of Wealth and dread of Death secure,
> They tempt no deserts and no griefs they find;
> Peace rules the day when Reason rules the Mind."

31. Yet if Wealth be not merely Contentment of the mind, it must be possible to measure the value of our possessions, as has been shown in paragraphs 4 and 12.

32. We have seen that there are two classes of wealth—utilities and luxuries, and also two values, intrinsic value and exchange value. Whereas utilities or necessaries have both intrinsic value and

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exchange value, pure luxuries have only an exchange value which varies with Man's opinion, so that an increase in this cannot enrich the world, as does an increase in intrinsic value, but only a nation or an individual at the expense of another. For an increase in exchange value can occur without any increase in goods, whereas an increase in intrinsic value indicates increased production.

33. It has been shown that all exchange of utilities based upon equal intrinsic value leaves both parties equally well off, and that any deviation therefrom benefits one party at the expense of the other. In an exchange of luxuries, the bargain cannot be weighed, as its foundation is merely Man's opinion, which can destroy untold value in one day. Except happiness be considered economic wealth, both parties can never benefit by an exchange, but only by *Production*, and he benefits most whose cost of production is least.

34. A nation's cost of production, apart

from the loss of irreplaceable raw material, is the supply of necessaries to all its inhabitants (and not the total of wages paid and the price paid for material, as both these may remain entirely in the country), whence it benefits most by the production of articles of highest value per worker. Industries can, therefore, be considered as divided into two categories, Unskilled, which produce merely the necessaries of the workers and those dependent upon them; and Skilled, in varying degree, which produce a surplus value or wealth. By skill is meant not merely manual skill, but the use of brains or of any faculty of man attuned to a greater production or efficiency, which benefits mankind.

35. Just as the "skilledness" of industries or their national value is infinitely variable, so there is an infinite variety in the relation of the intrinsic and exchange value as regards their results.

36. It is nevertheless evident that the exchange value of the goods produced

per day, whether necessaries or luxuries, must exceed that of the necessaries consumed by the workers and those dependent upon them.

37. No man can be permanently engaged in productive labour which does not yield him a living wage, for otherwise he would starve.

38. Owing to a certain proportion only of the population being engaged in production, a man cannot retain for himself the whole value produced by his labour, for the producers have to supply all the wants, both necessaries and luxuries, of the rest of the community. If their number be as 1 to 4, the producer can only retain for himself one fifth of his daily output.

39. The share of the value produced by a man's labour, which his relationship to the rest of the community entitles him to retain, must at least equal the value of his daily necessaries of life or his employment could not continue permanently,

and the total price of his necessaries must not exceed his daily wage.

40. It is a fundamental fact that the most unskilled labourer must receive daily for the above share a number of tokens equalling the total price of his necessaries. thus deciding the Value of Money, the Living Wage, the Value of all Necessaries (which lies in their utility), the Value of Labour-Saving Articles (the saving in labour being equivalent to the production of necessaries), and also the Exchange Value of Luxuries.

41. If the share to which a man is entitled increases, the relation between his wages and the total price of his necessaries will improve.

42. His share *will* be increased by a higher ratio of producers to non-producers, as well as by a greater output per man.

43. A skilled worker produces a greater daily value than an unskilled one, although the cost of his necessaries is the same. so that he is thereby entitled to a larger share

of his surplus production and a higher wage.

44. For a man, working for himself, after producing his daily necessaries, can exchange his surplus, and the greater his skill the larger quantity or better quality he can offer. He will receive therefore a greater excess beyond his daily necessaries, and if not, he would lose on the exchange and produce something else. Wages are payment for man's output, and, ignoring any profit for an employer, who may make a loss, it is the value produced which decides the maximum wage payable, and the higher wage of a skilled worker.

45. Therefore, assuming no alteration in the worker's fraction of the wealth increment, the average wage of the worker rises proportionately with an increase in skilled industries and the relation between wages and the prices of necessaries is thereby improved.

46. These arguments are true also of those engaged in non-productive, although useful or necessary occupations and their

remuneration should be decided by their skill relatively to that of those engaged in productive industries.

47. And just because skilled industries are the best, they are most subject to competition, for in an unskilled industry producing only the bare necessaries of life there can be no undercutting by another nation, save by the starvation of its workers, unless it have a lower standard of living.

48. The most civilized nation will export only the products of skilled industries or exchange the labour of as few of its members as possible. That is the measure of its material "Kultur," the Hun variety of which combines with the development of its own the undermining of the skilled industries of others and the theft of their raw material.

49. Thus in an exchange between two nations which benefits but the one whose cost of production for a given value is least, and from paragraph 34 it is evident that, apart from any destruction of irre-

placeable raw material, we have only to consider the living wage. Any excess or Wealth wage is the share of the workers. who lose through being compelled to descend into a less well paid industry, as they must, for were a better one available, Labour would already have been attracted thereto.

50. The value of an industry to a nation does not depend upon the profits of the employers, but on the profit per worker after allowing for all necessaries of life. For instance, an industry which requires 50 skilled men's labour at a wage of £3 10*s*. 0*d*. per week each, to produce goods of a certain value, is practically twice as beneficial to the country as one which uses the labour of 100 unskilled men at £1 10*s*. 0*d*. per week each, to produce the same value in the same time, assuming the material value the same, although the profit to the manufacturer in the former industry is less than in the latter.

51. No nation should do the unskilled work of another unless it is content to occupy

a lower position, and accept a lower standard of living.

52. And in accepting the theories of Karl Marx, Stanley Jevons, etc., a nation commits economic suicide. The law of supply and demand is an assumption that man lives on luxuries, a denial of intrinsic value and the utility of brains, and the usurpation of knowledge by ignorance, for unskilled labour can never permanently control the world, in which the average wealth would be more without it.

53. Further, there is no virtue in labour as such, for it may equally well be destructive as productive. The only Labour in the world worthy of respect is that which produces daily a greater value than it destroys, that is more than the necessaries of life of the workers and those dependent upon them. Therefore only some labour produces wealth and its measure is its relation to labour's own daily necessaries. This is clear of necessaries, utilities, and labour-saving commodities, all of which

have intrinsic value, but it is also true of luxuries although their exchange value may not be permanent, as shown in paragraph 10.

54. In addition to industries employing unskilled labour those which are engaged in mining our irreplaceable raw material, such as Coal, or using up raw material to produce slightly manufactured goods, such as Iron Bars, also require no protection, as any wise nation is ready to accept raw or semi-raw material. If our exports of such material ceased altogether and we only mined what we needed ourselves to produce highly finished articles, we should be conserving the nation's wealth instead of squandering it, and have more labour available for skilled productive industries.

55. As it is impossible under Free Trade to establish a highly skilled industry in the face of unlimited foreign competition, the effect of this policy is to drive labour into less skilled industries so that IT stands revealed as actually *Protection* for

unskilled industries, and the *Support* of the exporter of the nation's natural wealth for his personal benefit. Thus low wages are indeed inseparable from Free Trade, and the lower prices can afford no compensation to the workers, for an improvement in the relation between wages and prices is most readily obtained by the development of those very industries which are hampered by that Policy.

56. The national cost of production being merely the destruction of labour and irreplaceable raw material, protective duties cannot affect it. The first result of Protection is to cause a rise in prices, the effect of which, or in fact of any artificial advance in prices or wages, without a corresponding increase in production, is to depreciate the value of money. If, however, the wealth distribution remain the *same*, wages must increase proportionately and no one would be better or worse off.

57. The benefit of Protection does not

lie in the revenue produced, but in the stimulation of Production, particularly such as results in the greatest wealth per worker, *i.e.* Industries employing highest average of skill or brains, and in this way not merely may the depreciation in the value of money be made good, but, as shown in paragraphs 37–45, the relation of wages and prices actually improved.

58. And as all economic wealth is due to production, every one is dependent upon, and the servant of, the Producer. Yet the British Empire is controlled by Middlemen, for whom it has still to be claimed that, amassing personal wealth at the expense of both producer and consumer, they are actuated by more altruistic motives.

59. And the Middlemen far more than the Producers can hold up the rest of the community to ransom, for in a democratic state, if equality of reward for equal service value be recognized, the Producer cannot retain for himself the wealth he creates. Wages must ultimately depend upon the

value produced, and that portion beyond the living wage represents a share of the wealth increment for the workers, which is greater the better the industry, and on the whole Middlemen do not pay high wages. Local and national taxation are also levied on the Producers, who provide all state revenues, *nolens volens.* The State can only exist on its share of the balance of production over consumption, which is the measure of its prosperity and *only paid over in the form of Money.*

60. It has been shown that the wealth-producing industries are most subject to competition, so that through Free Trade a nation's best industry may be destroyed.

61. It is true that a nation should devote itself to those industries for which it is best suited, but these are the skilled industries producing the greatest wealth increment per worker, which the development of its inhabitants has made suitable. The industries for which a nation is naturally suited may be of low value, and Switzerland

is an example of the development of unnatural industries.

62. And no Nation can be sure of being pre-eminent in such a "best" industry or any high value-producing one; consequently self-preservation, which includes economic development, necessitates Protection for a nation's best industries.

63. Thus the Right of Existence of small nationalities is inseparably connected with the Protection of their industries and equally incompatible with Internationalism, Bolshevism, and universal Free Trade, which are practically synonymous.

64. It is clear therefore that the Protection of industries, or the prevention of trespass on economic production, is not merely an essential principle of good government, so long as Nations have a separate existence, but it widens the distribution of wealth by reserving to a nation its most wealth-producing industries, which alone permit of the highest wages being paid to the workers.

65. Cheap prices benefit the consumers,

but they are themselves largely Producers or dependent upon them, and as high wages can only be paid where prices permit it, the consumers are robbing themselves or their fellow-workers of the Wealth due to Production by buying the products of lower-waged labour. It is true that the individual buyer of a cheaper Foreign-made article benefits at the expense of the Nation, but Economics no more deals with such a wealth increase than trade consists in robbery or the exchange of nothing for something. It is always the Middleman who benefits at the expense of both Producer and Consumer, and only in industries yielding no wealth wage does a cheaper foreign price benefit the nation.

66. The vital question is always the relation between wages and prices, which can best be improved by an increase in the value produced per worker, whereas by the exchange of the products of less skilled for those of more skilled industries, wealth-producing labour or alternatively

leisure is lost at each transaction. The wages paid in excess of the Living Wage represents the worker's share of the wealth he helps to produce and he loses by being forced into a less skilled industry.

67. The *size* of an industry is no measure of its national importance, and the balance of exports over imports is no more indication of a nation's prosperity than the balance of an account between two traders is proof that the debtor has got the worst of a bargain. Only if the national cost of production of the article to be exported is less than would be that of the imported article, does the nation benefit by export and the exchange.

68. The elimination of waste can only be obtained by Co-operation among all Producers, both employers and employed, who are also the principal consumers, and their prosperity is bound up with that of the State ; whereas the Middleman, although necessary, benefits at the expense of the community, and should be *strictly controlled*.

69. Those who *produce* the nation's wealth should *control* its economic destiny, not those whose interest may lie in stimulating the production of *other* nations in preference to their *own*.

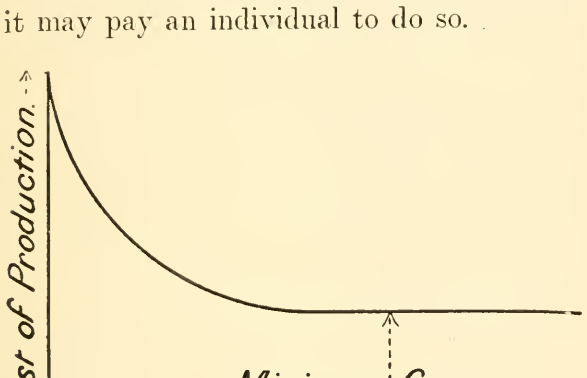
70. The wealth of the world being due to an excess of production over consumption, there cannot be economically such a thing as over-production, yet we have the Economists and Politicians raising the bogey of unemployment and advocating a greater consumption to produce wealth. That in practice there is often some over-production is due to lack of *Co-operation among Producers*; and, whereas the "Wealth Dealers," *i.e.* Middlemen, are allowed to combine, it is considered wrong for the "Wealth-Makers" or Producers to do so, although it has never yet been demonstrated that their morality, intelligence or patriotism are less.

71. The same Economists who ask us to believe that a valueless article is valuable because some one wants it, and a valuable

article valueless because no one wants it, so that we might spend an infinite amount of labour yet produce no value, tell us that consumption increases wealth, whereas we know that the contrary is true. These delusions arise from ignorance of the laws of production, and a confusion of individual with national wealth, and of luxuries with necessaries although the latter are economically of far greater importance.

72. A "division of labour," to which Economists attach so much importance in order to obtain more efficient production, only reduces the cost of production to a certain point, as is indicated by the diagram (see next page), which point, partly owing to the greater cost of trading operations, is soon reached in practice, and in every case the *total* cost of production corresponding to a greater consumption, must increase or we should be getting something for nothing, and Perpetual Motion would indeed be attainable. The method of production must suit the quantity, and the reduction

in cost is due to the better method and not to the output; for if the *total* cost could be reduced, the better method should have been adopted for the smaller output! An electric supply station affords the clearest example, and consumers have not as yet been asked to waste current, although it may pay an individual to do so.



73. It is the greater and quicker production of necessaries which renders possible a larger production of luxuries and thus increases their availability, but all consump-

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tion destroys wealth and increases man's hours of labour.

74. The wasteful habits engrained in our countrymen are due to the teaching of false economic principles. It is not the cost of waste to an individual that matters, but the cost to the nation of replacing it, that is, longer working hours for the producers, for a waste of necessaries must almost always be made good by them.

75. There is thus no question of over-production or unemployment, but wrong production. There is always danger of this evil in a luxury trade, which is subject to changes of fashion, but still more so in an unskilled or low value producing industry, because the uncivilized nations with a lower standard of living enter the market and can always undersell a higher civilization.

76. Thus it is again clear that a nation's economic state is decided by its development of skilled industries and that the most unskilled should be left to nations

with the lowest standard of living. Part of the Lancashire cotton industry to-day is a disgrace to our civilization. What Indians can do let them do.

77. An increase in the wealth available for distribution and an improvement in the relation between wages and prices depends, apart from the development of skilled or high value producing industries, upon an increase in the number of producers as compared with non-producers, and the conversion of a middleman into a producer is evidently equivalent to two new producers.

78. The earliest Social Reformers, seeing wealth accumulated by a certain class, jumped to the conclusion that Free Trade, by breaking up a Monopoly, would benefit the nation. They considered the producer to be the individual employer instead of the mass of workers, and overlooked the possibility of a greater wealth production with a better distribution by higher wages or profit sharing and more equitable taxation.

79. Fifty years ago, when we were practically the only industrial nation, with no competition in the then skilled industries, Free Trade was undoubtedly beneficial, as we could only import the raw material for our industries, which, at that date, represented the highest intrinsic value per worker? It is evident, therefore, that Protection for high value producing industries, which is the only rational form, would have been equivalent to Free Trade at that period.

80. Our Economists, seeing that in effect the importation of foreign produce or raw material in exchange for manufactured articles *did* help our manufacturers, were seized with the inspiration that wealth was *due* to trade, and to maintain this were obliged to invent the fantastic theory that all value was due to demand (see paragraphs 17, 24, 25, and 26).

81. Individual wealth may be due to trade, and also national wealth, at the expense of another nation—perchance at

our expense (see paragraphs 48, 49, 50, 51, 66)—but only an increase in world wealth, which is *solely* due to production, to the balance of production over consumption, can improve the condition of all Mankind.

82. Trading operations appear to produce wealth, just as Labour does, but they also only do so if the economy, or value produced through them, exceeds the value destroyed, *i.e.* cost of trading.

83. A practical limit to the saving obtained through a division of labour is soon reached, as shown in paragraph 72, and is recognized by all Scientists, for if not, no small nation could compete with a large one, and all trading operations are part of the cost of production, although they may, and frequently do, enrich one party at the expense of another without effecting any economy whatever.

84. It is evident also that were two nations both producing *similar* articles of high value per worker, under similar condi-

tions, a division of labour would *not* benefit Mankind, but, with a one-sided Free Trade, permit another nation to enlarge its output at our expense and thus increase our *own* costs of production.

85. So long, therefore, as nations have a separate existence and their inhabitants are not prepared to emigrate or leave their land waste, the division of labour should fall short of disturbing valuable industries.

86. The absurd conclusions of our Economists arise from a confusion of the Individual with the National cost, of Individual with National wealth, of Productive with Unproductive labour, of the Production with the Distribution of wealth, from a Denial of Intrinsic Value and failure to recognize the Economic Importance of Necessaries, whence the belief that all Value is due to Demand.

87. On these fallacies (and the present money value of a year's bare necessaries of life for the population of the United Kingdom exceeds the sum of £1,000,000,000)

rests the whole structure of Free Trade.

88. The practical disadvantages of Free Trade are obvious to many and are due to fundamentally false assumptions, and not to discrepancies between theory and practice, as its unscientific disciples and the deluded working classes still believe.

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